



[4830-01-p]

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### Art Advisory Panel - Notice of Availability of Report of 2014 Closed Meetings

AGENCY: Internal Revenue Service, Treasury.

ACTION: Notice.

SUMMARY: Pursuant to 5 U.S.C. App. 2, section 10(d), of the Federal Advisory Committee Act, and 5 U.S.C. section 552b, of the Government in the Sunshine Act, a report summarizing the closed meeting activities of the Art Advisory Panel during Fiscal Year 2014 has been prepared. A copy of this report has been filed with the Assistant Secretary for Management of the Department of the Treasury.

DATES: Effective Date: This notice is effective **INSERT DATE OF PUBLICATION OF THIS NOTICE IN THE FEDERAL REGISTER**.

ADDRESSES: The report is available for public inspection and requests for copies should be addressed to: Internal Revenue Service, Freedom of Information Reading Room, Room 1621, 1111 Constitution Avenue, N.W., Washington, DC. 20224, Telephone number (202) 622-5164 (not a toll free number). The report is also available at [www.irs.gov](http://www.irs.gov).

FOR FURTHER INFORMATION CONTACT: Maricarmen R. Cuello, AP:SO:AAS, Internal Revenue Service/ Appeals, 51 S.W. 1<sup>st</sup> Avenue, Room 1014, Miami, FL 33130, telephone (305) 982-5364 (not a toll free telephone number).

## SUPPLEMENTARY INFORMATION:

It has been determined that this document is not a major rule as defined in E. O. 12291 and that a regulatory impact analysis therefore, is not required. Neither does this document constitute a rule subject to the Regulatory Flexibility Act (5 U.S.C. chapter 6).

Kirsten B. Wielobob,  
Chief,  
Appeals.

## The Art Advisory Panel of the Commissioner of Internal Revenue

Annual Summary Report for Fiscal Year 2014 (Closed meeting activity)

### **Overview**

Created in 1968, the Art Advisory Panel of the Commissioner of Internal Revenue (the Panel) provides advice and makes recommendations to the Art Appraisal Services (AAS) unit in the Office of Appeals for the Internal Revenue Service (IRS). Chartered under the Federal Advisory Committee Act (FACA), the Panel helps the IRS review and evaluate the acceptability of tangible personal property appraisals taxpayers submit to support the fair market value claimed on the wide range of works of art involved in income, estate, and gift tax returns.

When a tax return selected for audit includes an appraisal of a single work of art or cultural property valued at \$50,000 or more, the IRS examining agent or appeals officer must refer the case to AAS for possible referral to the Panel, unless a specific exception exists. The AAS staff supports and coordinates the Panel meetings, while the AAS appraisers independently review taxpayers' appraisals for art works not referred to the Panel.

The Panel provides essential information to help foster voluntary compliance. The information and recommendations play an important role in the IRS's efforts to cost-effectively address the potentially high abuse area of art valuation. The panelists provide information, advice, and insight into the world of art which cannot be obtained effectively from within the IRS. The Panel does not duplicate work performed in the IRS. The AAS appraisers review appraisals by researching publicly available information; the Panel provides additional knowledge of private sales based on their personal experience as dealers, scholars, and museum curators, and from information obtained from other members of their relatively small industry. The panelists' knowledge is particularly beneficial when questions exist about the authenticity or condition of works of art.

Art Appraisal Services takes steps to ensure objectivity and taxpayer privacy. Information provided to the panelists does not include the taxpayer's name, the type of tax, the tax consequences of any adjustments to the value, or who did the appraisal. To minimize the possibility that panelists recognize a taxpayer's entire collection, the art works are usually discussed in alphabetical order by artist or, in the case of decorative art, by object type. If there is a conflict of interest with a panelist and a work of art under review, the panelist does not participate in the discussion and is excused from that portion of the meeting.

Before Panel meetings, AAS appraisers send photographs and written materials to the panelists about the works of art under review. The materials include information from the taxpayer's appraisal, such as size, medium, physical condition, provenance, any comparable sales, and appraised value, and the AAS appraiser's own research, including available information on public and private sales of relevant art work.

During their meetings, the panelists review the information provided, along with the research and findings of both the panelists and AAS appraisers. After discussing each item individually, the panel reaches consensus on its value. Panel discussions are lively and serious. Despite the different perspectives of dealers, museum curators, and scholars, substantial disagreements are rare. When disagreements happen, they generally result from insufficient information. In these cases, the panelists may recommend additional research, such as inspecting the property or consulting with additional experts, before making a recommendation as to value. Once the AAS appraiser completes the additional work, the item may be brought up for review at a subsequent Panel meeting.

The Panel's recommendations are advisory. The AAS staff reviews all of the Panel's recommendations, which become the position of the IRS only with AAS concurrence. In Fiscal Year 2014, AAS adopted in full 90% of the Panel's recommendations and adopted the rest in part.

The AAS staff provides written reports or memos to the requesting IRS office, with a copy for the taxpayer, outlining the Panel's recommendations for any adjustments to fair market value with all supporting evidence.

Taxpayers may request reconsideration of an adjusted claimed value only if they provide new information or probative evidence. The AAS staff may submit such information to the Panel for reconsideration at a subsequent meeting.

### **Panel Leadership**

The Director, Art Appraisal Services serves as the Panel Chair and Designated Federal Officer (DFO) for FACA purposes.

### **Panel Sub-Committees**

The DFO has the authority to create subcommittees or workgroups. Subcommittees may be established for any purpose consistent with the Panel's charter, and are comprised of Panel members. There are currently two subcommittees: the Fine Arts Panel, which reviews items such as paintings, sculpture, watercolors, prints, and drawings; and the Decorative Arts Panel, which reviews items such as antique furniture, decorative art, ceramics, textiles, carpets, and silver.

### **Meetings**

The Panel generally meets once or twice a year in each subcommittee area. Panel meetings are closed to the public since all portions of the meetings concern matters that are exempted from disclosure under the provisions of section 552b(c)(3), (4), (6) and (7) of Title 5 of the U.S. Code. This determination, which is consistent with section 10(d) of the Federal Advisory Committee Act, as amended (5 U.S.C. App. 2), is necessary to protect the confidentiality of tax returns and return information as required by Internal Revenue Code § 6103.

The meetings held during this reporting period included:

Type	Date	Location
Fine Arts	April 16, 2014	New York, NY
Fine Arts	September 11, 2014	Washington, DC

The Decorative Arts Panel did not meet in Fiscal Year 2014.

### Summary of Panel Recommendations

During Fiscal Year 2014, the Panel reviewed 315 items with an aggregate taxpayer valuation of \$250,800,500 on 54 taxpayer cases under examination. The average claimed value of a charitable contribution item was \$634,000; the average claimed value for an estate and gift item was \$799,341.

The Panel recommended accepting 38 percent and adjusting 62 percent of the appraisals it reviewed. On the adjusted items, the Panel recommended total net adjustments of \$55,706,000 in estate and gift tax appraisals, a 23 percent increase. Net adjustments for charitable contributions totaled \$2,077,000, a 55 percent reduction.

The Panel reconsidered seven items in three taxpayer cases originally valued at \$13,235,000 by the taxpayers and \$18,300,000 by the Panel. After reviewing the additional information, the Panel revised their recommendations to \$17,300,000. The items from these three taxpayer cases are not included in the information above or that follows.

### Comprehensive Recommendations Report

Type of Tax	Number of items	T/P Claimed Value	Type of Adjustment	Panel Recommendation	Net Change (Panel less Claimed Value)
Estate	70	\$32,275,000	No Change	\$32,275,000	\$0
	58	\$36,257,000	Increase	\$66,839,000	\$30,582,000
	31	\$18,207,000	Decrease	\$10,308,500	(\$7,898,500)
Gift	50	\$42,935,000	No Change	\$42,935,000	\$0
	49	\$66,262,500	Increase	\$113,730,000	\$47,467,500
	51	\$51,060,000	Decrease	\$36,615,000	(\$14,445,000)
Charitable Contribution	6	\$3,804,000	ALL	\$1,727,000	(\$2,077,000)

<b>Totals</b>	315	\$250,800,500		\$304,429,500	\$53,629,000
Items Adjusted	194				\$53,629,000

## Art Advisory Panel of the Commissioner of Internal Revenue 2014

Ms. Stephanie Barron	Senior Curator of Modern Art Los Angeles County Museum of Art Los Angeles, CA
Mr. Douglas Baxter*	President The Pace Gallery New York, NY
Mr. Leon Dalva	Dalva Brothers, Inc. New York, NY
Ms. Alice Duncan	Director Gerald Peters Gallery New York, NY
Mr. Michael Findlay	Director Acquavella Galleries, Inc. New York, NY
Mr. Brock Jobe	Professor of American Decorative Arts Winterthur Museum Winterthur, DE
Mr. Christian Jussel	Independent Scholar/Art Adviser New York, NY
Ms. Rebecca Lawton	Curator of Paintings and Sculpture Amon Carter Museum Fort Worth, TX
Ms. Barbara Mathes	Barbara Mathes Gallery New York, NY
Ms. Nancy McClelland	McClelland + Rachen New York, NY
Ms. Susan Menconi	Partner Menconi & Schoelkopf Fine Art New York, NY
Mr. Howard Rehs	Director Rehs Galleries, Inc. New York, NY
Mr. James L. Reinish	Principal James Reinish & Associates, Inc. New York, NY
Mr. Joseph Rishel	The Gisela and Dennis Alter Senior Curator of

European Painting before 1900, and John G  
Johnson Collection  
Philadelphia Museum of Art  
Philadelphia, PA

Dr. Andrew Robison

Mellon Senior Curator of Prints and Drawings  
National Gallery of Art  
Washington, DC

Mr. Louis Stern

Louis Stern Fine Arts Inc.  
Los Angeles, CA

Dr. Scott Schaefer\*\*

Senior Curator of Paintings  
J. Paul Getty Museum  
Los Angeles, CA

Mr. David Tunick

President  
David Tunick, Inc.  
New York, NY

\* Resigned in January 2015

\*\* Changed employers and subsequently resigned in January 2015

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